

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON APPROPRIATIONS**

**Call to Order:** By **CHAIRMAN STEVE VICK**, on March 1, 2001 at 3:00 P.M., in Room 102 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Steve Vick, Chairman (R)  
Rep. Dave Lewis, Vice Chairman (R)  
Rep. Matt McCann, Vice Chairman (D)  
Rep. John Brueggeman (R)  
Rep. Rosalie (Rosie) Buzzas (D)  
Rep. Tim Callahan (D)  
Rep. Bob Davies (R)  
Rep. Stanley Fisher (R)  
Rep. Dick Haines (R)  
Rep. Joey Jayne (D)  
Rep. Dave Kasten (R)  
Rep. Christine Kaufmann (D)  
Rep. Monica Lindeen (D)  
Rep. Jeff Pattison (R)  
Rep. Art Peterson (R)  
Rep. Joe Tropila (D)  
Rep. John Witt (R)

**Members Excused:** Rep. Edith Clark (R)

**Members Absent:** None.

**Staff Present:** Holly Jordan, Substitute Committee Secretary  
Taryn Purdy, Legislative Branch

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 307, 2/27/2001  
Executive Action: HB 525

DISCUSSION ON HB 2

**{Tape : 1; Side : A; Approx. Time Counter : 1.4}**

**REP. VICK** went over procedure and ground rules for HB 2. He stated, amendments that affect numbers need to be done before the hearing on that section. Also, any amendment that affects two sections of the budget has to be done in the first section the committee comes to.

**REP. TROPILA** asked for more explanation regarding the amendments.

**REP. VICK** stated, if you have an amendment that just adds spending to the budget he would strongly recommend that the committee reject it. If you have a program you want funded and you have another program that will fund it then you may need an amendment that has two components to it. One component would reduce spending and the other would put the money where it is needed.

**REP. BUZZAS** asked if all amendments, to any section, have to be addressed before the committee starts working on HB 2 or just before they address that specific section. **REP. VICK** answered, just before that section is addressed. An across the board cut would have to be done before the committee starts work on the bill. **REP. BUZZAS** followed up asking, if you have an amendment that adds money back in then you also have to have an amendment to another section where you want to take that money out. **REP. VICK** stated that he cannot make that a rule but he will do anything in his power to get the committee to reject any amendments that don't do that. **REP. BUZZAS** asked what the ending fund balance is expected to be and also what the revenue boundaries are. **REP. VICK** stated the revenue estimate was presented to the Taxation Committee this morning and they should take action on that tomorrow. If they accept the numbers that both the administration and the fiscal division are in agreement with the ending fund balance will be approximately \$32,000,000. He stated that he would like to try to get to \$40,000,000. If none of the changes are accepted it will be less than \$32,000,000.

**REP. LINDEEN** asked what order the sections will be taken in.

**REP. VICK** stated the order will be; Natural Resources, General Government, Human Services, Corrections and Public Safety, Education and lastly the boilerplate language. **REP. LINDEEN** asked for a status sheet of the actions of the sub-committees.

**REP. VICK** stated it is in the HB 2 book.

**REP. KAUFMANN** asked if the HB 2 narrative includes the bill or is it separate. **REP. VICK** stated that the bill is first and the rest is just an explanation of what the bill does.

**Taryn Purdy** stated, the budget office has asked if they could get a packet of amendments. If there are any amendments that any of the committee members would not like in the packet please state that when the amendment is requested.

**REP. WITT** asked when you propose amendments to the boilerplate language. **REP. VICK** answered, at the end of all sections. He then explained the procedure on HB 2.

**REP. JAYNE** then asked the schedule for the HB 2 meetings. **REP. VICK** went over the schedule.

**REP. VICK** reminded the committee that amendments, if they are simple and everybody on the committee is comfortable with them, do not need to be written as long as the intent is clear.

**REP. KAUFMANN** asked, if somebody brings a give/take bill after the committee is done with HB 2, at what point does that get reconciled. **REP. VICK** stated either in the Senate or in the conference committee.

#### EXECUTIVE ACTION ON HB 525

*{Tape : 1; Side : A; Approx. Time Counter : 17.2}*

Motion: **REP. KASTEN** moved that **HB 525 DO PASS**.

Motion: **REP. KAUFMANN** moved that **AMENDMENTS ON HB 525 BE ADOPTED**.

Discussion: **REP. KAUFMANN** passed out the amendment **EXHIBIT** (aph47b01). She then explained the amendment.

**Ms. Purdy** explained number 2 of the amendment.

**REP. KAUFMANN** stated that she thinks there are some good points in the bill. She is concerned about the power of the minority in the 2/3 vote. This amendment addresses that concern

**REP. KASTEN** stated that he is opposed to the amendment. In order to pass anything that is proposed, taxes will need to be raised or funding to a program will have to be cut. That is why the bill calls for a 2/3 vote.

**REP. BUZZAS** stated that she is in favor of the amendment. As elected officials majority should rule.

**REP. DAVIES** stated, he is against the amendment as this is trying to exercise fiscal responsibility and there is nothing wrong with a 2/3 vote.

**REP. KAUFMANN** closed stating, this is a basic, good government type of amendment.

**Vote:** Motion failed 6-12 with Buzzas, Callahan, Jayne, Kaufmann, Lindeen and Tropila voting aye.

**REP. KASTEN** closed stating that this bill will give the legislature a good budgeting tool and involve the whole body in budget decision making. It is a good, responsible bill for the state of Montana.

**Vote:** Motion carried 12-6 with Buzzas, Callahan, Jayne, Kaufmann, Lindeen, and Tropila voting no.

#### HEARING ON HB 307

**Sponsor:** REP. STEVE GALLUS, HD 35, Butte

**Proponents:** Deborah Hayden, Swiftcurrent Ventures  
Dustin Stewart, ASMT  
SEN. DALE BERRY, SD 30, Hamilton, self and EDA-Hamilton  
REP. RICK LAIBLE, HD 59, Victor, self  
Evan Barrett, Montana Economic Developers Association  
Dr. Richard P. Donovan, Montana Tech  
Larry Hall, S & K Electronics

**Opponents:** None.

**Opening Statement by Sponsor:**

***{Tape : 1; Side : A; Approx. Time Counter : 26.8}***

**REP. STEVE GALLUS, HD 35, Butte,** stated, HB 307 is a complicated matter with complicated terminology. The definition of agile is "being able to move in a quick and easy fashion; active." That's what this bill is about. Agile Virtual Enterprises is a system designed to allow small manufacturing firms to compete in larger markets. In essence, to allow them to move forward in a quick and easy fashion. The goal of this program is to make money. This will be done by building a network where small Montana

businesses can elaborate in order to be competitive in a global economy. **REP. GALLUS** handed out a document **EXHIBIT(aph47b02)** and went over it.

**Proponents' Testimony:**

***{Tape : 1; Side : A; Approx. Time Counter : 29.4}***

**Dr. Richard P. Donovan, Montana Tech,** gave a slide presentation to the committee **EXHIBIT(aph47b03)**. ***{Tape : 1; Side : B; Approx. Time Counter : 2.2} {Tape : 2; Side : A; Approx. Time Counter : 0.1 - 15}***

**SEN. DALE BERRY, SD 30, Hamilton, self and EDA-Hamilton,** stated that he looks at this bill as a great opportunity. It will help little businesses across the state move forward. This is a small investment to bring opportunity into the state. He stated this is a non-partisan bill and asked for a do pass.

**REP. RICK LAIBLE, HD 59, Victor, self,** stated that he is in awe of the opportunities that this bill presents. It will bring in jobs of the future. He spoke about how Agile Technology has helped bring Pennsylvania out of an economic crisis. Agile Technology provides Montana the avenue to put jobs together without building large plants. This is the wave of the future and where Montana needs to be. He urged a do pass.

**Evan Barrett, Montana Economic Developers Association,** stated that retention and expansion of our existing jobs is how growth is going to be created in this state. 90% of growth and economic development comes out of retaining and expanding what you have. 90% of the businesses in Montana have less than 20 employees. 90% of business loans are in the retention and expansion area. The scale of economic activity outside of Montana is huge. Our smaller companies need to be able to provide services to the larger economy outside the state. That is what the Agile Virtual Enterprise Technology is about. This may be one of the most important bills on economic development this session. This is not a magic solution but it can work to the benefit of the citizens of Montana. \$400,000 is the seed capital needed but if the budget will allow at least a couple hundred thousand dollars other sources may fund the rest. He asked for a do pass.

**Larry Hall, S & K Electronics,** stated, it is very difficult for small companies to spend money to bring work back into the state. This collaborative effort will make the job of small business much easier and make expansion must faster. It is very important for small companies to leverage their capabilities together. He asked for a do pass.

Deborah Hayden, Swiftcurrent Ventures, handed out a chart **EXHIBIT**(aph47b04) and written testimony **EXHIBIT**(aph47b05). {Tape : 2; Side : B; Approx. Time Counter : 2.4}.

Tom Swenson, Missoula, stated that he supports HB 307 because it represents an ideal synergy between the University System, the State and Federal Government and the private sector. This will provide the seed that will attract additional funds. He asked for a do pass.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

{Tape : 2; Side : B; Approx. Time Counter : 7.1}

**REP. LINDEEN** asked **Dr. Donovan** if this will give \$400,000 to the University System to set up an AVE at Montana Tech and create a virtual network to tie all of these small businesses together.

**Dr. Donovan** stated no. What HB 307 will do is fund the effort to do the strategic planning to find markets for companies that are being organized into a Collaborative Business Network. It will also work with any interested organizations. It will lay the ground work. **REP. LINDEEN** followed up asking if G5 Technologies is a large company. **Dr. Donovan** stated they are not very large.

**REP. LINDEEN** followed up asking where they are located. **Dr. Donovan** stated, New Jersey, North Carolina and Delaware. **REP. LINDEEN** asked if their role in this is the software that would be used in creating these collaborative businesses. **Dr. Donovan** stated yes. They own the business process patents that are integral to the organization and the functioning of these Agile Virtual Enterprises. Followup by **REP. LINDEEN** - so what does it cost to use their software and their patent. **Dr. Donovan** stated it depends on the magnitude of the project. It costs about \$400,000 to set up a brand new Collaborative Business Company.

**REP. DAVIES** asked **Dr. Donovan** what sort of an outfit is AgileWeb and how did it come into being? Is it a private or public endeavor? **Dr. Donovan** answered, AgileWeb is a for-profit, seed corporation registered in the state of Delaware. It came into being through a long process. It began as a research project. Followup by **REP. DAVIES** - is this how you foresee what you are proposing here, that it would eventually become a private operation. **Dr. Donovan** stated, it will be private in 6 - 12 months. The faster the University can get this from being a program to a for-profit, the better off it is going to be. Followup by **REP. DAVIES** - so would you be selling subscriptions to recoup your investment? How will the taxpayers of Montana

generally recoup this \$400,000? **Dr. Donovan** stated, the State of Montana will recoup their investment because the companies are going to be making more money and paying more taxes. Followup by **REP. DAVIES** - are the companies going to be paying for this service to get on board. **Dr. Donovan** stated yes. The member companies in the AgileWeb are equity share holders. Followup by **REP. DAVIES** - what is the top marginal income tax rate in Tennessee? **Dr. Donovan** stated he does not know.

**REP. HAINES** asked **Dr. Donovan**, is G5 the company that provides the software? **Dr. Donovan** stated yes, that is one of the things that they offer. Followup by **REP. HAINES** - what is the relationship between AgileWeb and G5? **Dr. Donovan** stated, G5 currently owns the AgileWeb. They are the majority single share holder in the AgileWeb. Followup by **REP. HAINES** - then will the \$400,000 be a contract with G5? **Dr. Donovan** stated, we will be contracting with G5 to help develop and deliver training programs directed at specific markets in the State of Montana. They will provide us with the templates for the business processes that are required for these Collaborative Business Networks. They will help with local business plans across the state. There are a lot of pieces to the puzzle. Followup by **REP. HAINES** - so the companies that come into this AgileWeb pay their way also? **Dr. Donovan** stated, there will be a buy in required. Followup by **REP. HAINES** - how much is a buy in? **Dr. Donovan** stated, that is to be negotiated at this point, maybe \$5,000 - \$10,000. Followup by **REP. HAINES** - then would the University become the road show that goes to each company and tells them what's going on and coordinates the maze between G5 and ... **Dr. Donovan** stated, that is correct. The long term role for the Montana University System in this project is going to be teaching.

**REP. KAUFMANN** asked **Dr. Donovan** if the Pennsylvania system received any public subsidies of any sort and how much. **Dr. Donovan** stated yes, once the AgileWeb moved out of the research phase and into the public sector, the State of Pennsylvania initially infused it with about \$2,000,000 initially. Since the success of the AgileWeb, the State of Pennsylvania has recently infused another \$5,000,000 - \$10,000,000 into what they are calling the lightning manufacturing project. That project will set up 15 more AgileWebs in Pennsylvania directed at specific markets.

**REP. LINDEEN** asked **Dr. Donovan**, what network does he envision using? **Dr. Donovan** stated, there is a proposal going to the Federal Department of Commerce to build a new network. Followup by **REP. LINDEEN** - is this a privately owned network or a state owned network? **Dr. Donovan** stated, the Department of Commerce

money will go to pay Touch America or some other company for the lines. We are going to be buying network services.

**Closing by Sponsor:**

***{Tape : 2; Side : B; Approx. Time Counter : 22.3}***

**REP. GALLUS** stated that blue collars jobs are fragile. This bill is all about small business, blue collar workers and making Montana a better place. He urged a do pass.

**REP. KASTEN** asked **REP. GALLUS** if the Board of Regents has worked with him on this. **REP. GALLUS** stated he has not worked with the Board on this. They did not include it in their executive budget for the University System. He did not think they are opposed to it. They are in a position of survival and they didn't want to ask for anything extra.

**REP. GALLUS** stated, other funding sources have been identified and he is working with those sources.



**ADJOURNMENT**

Adjournment: 5:00 P.M.

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REP. STEVE VICK, Chairman

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HOLLY JORDAN, Secretary

SV/HJ

**EXHIBIT (aph47bad)**